Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Tuesday, December 30, 1952. The Board met
in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Evans
Mr. Mills
Mr. Robertson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Governor Robertson said that in accordance with action taken by
the Board on December 18, 1952, the Division of Examinations had as-
certained from the officers in charge of examinations at the Federal
Reserve Banks that the dates tentatively selected for a conference of
representatives of the bank examination departments, namely, February
5-7, 1953, would be satisfactory.

Thereupon, unanimous approval
was given to a letter to the Presi-
dents of all Federal Reserve Banks
reading as follows:

"Advices received from the officers in charge of
examinations at the several Federal Reserve Banks indi-
cate that the dates tentatively selected for holding a
conference of representatives of the Bank Examination
Departments in Washington will be satisfactory. Accord-
ingly, the Examiners' Conference will be held in the
Board's offices in Washington on Thursday, Friday and
Saturday, February 5-7, 1953.

"Matters pertaining to both bank examinations and
supervision will be discussed and it is expected that
each Reserve Bank will be represented by the officer in
charge of examinations and the Chief Examiner, if practi-
cable. It will be appreciated if you will give us the
"names of the representatives of your Bank who will attend the conference.

"The officers in charge of examinations are being requested to suggest topics for discussion and a copy of the agenda will be sent you when it is prepared."

At this point Governor Vardaman joined the meeting.

The following requests for authorization of travel were presented:

Arthur H. Lang, Chief Federal Reserve Examiner, Division of Examinations. To travel within the limits of the continental United States during the calendar year 1953, under instructions from the Director of the Division of Examinations, to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25 (a) of the Federal Reserve Act, for the purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System.

Lowell M. Myrick, Assistant Director, Division of Bank Operations. To proceed to Boston, Massachusetts, and return, during the period January 12-15, 1953, to attend, as an associate member, a meeting of the Subcommittee on Accounting of the Conference of Presidents of the Federal Reserve Banks.

Approved unanimously.

At this point Messrs. Vest, General Counsel, and Sloan, Director, Division of Examinations, entered the room.

There was presented a telegram from Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, prepared in response to the Board's telegram of December 29, 1952, stating that Mr. Caldwell had been informed by Mr. Manville Kendrick, of Sheridan, Wyoming, that he was a director of
a local bank in Sheridan, that he would want to consider for a day or two whether he would wish to resign that directorship in order to accept appointment as a director of the Omaha Branch, and that he also was a member of the Wyoming Natural Resources Board. Chairman Caldwell's telegram stated that according to Mr. Kendrick, the Natural Resources Board was "an organization which has some sort of general control over the natural resources of the State to the extent that such control is exercised by the State", and that he (Mr. Caldwell) had no other information to indicate whether membership on that board would constitute the holding of "political" or "public" office within the meaning of the Board's resolution of December 23, 1915.

Following discussion, it was agreed that Governor Robertson would explore the question whether Mr. Kendrick's membership on the Wyoming Natural Resources Board would affect his eligibility to serve at the same time as a director of the Omaha Branch.

Secretary's Note: On December 30, 1952, Acting Chairman Szymczak sent a telegram to Chairman Caldwell reading as follows:

"Retel December 30 have checked Wyoming Natural Resources Board and believe membership thereof no impediment to serving as director. You may so advise Kendrick."

Further consideration was given to the possible application by Land Title Bank and Trust Company, of Philadelphia, Pennsylvania, for membership in the Federal Reserve System, reference being made to the
following memoranda, copies of which had been sent to the members of the Board before this meeting:

(1) Memorandum dated December 19, 1952, from the Division of Examinations containing information with respect to the number of trust companies (member and nonmember) presently engaged directly or indirectly in the title insurance business in the State of Pennsylvania, and the number of Pennsylvania banks admitted to membership subject to conditions of membership prohibiting or restricting such activity. This memorandum was submitted pursuant to the understanding at the meeting of the Board on December 16, 1952.

(2) Memorandum dated December 22, 1952, from the Legal Division regarding the authority of State banks and trust companies in States other than Pennsylvania to guarantee or insure titles to real estate. This memorandum was prepared on the basis of replies received from the Federal Reserve Banks to telegrams sent to them on December 16 as the result of staff discussion of the Land Bank Title and Trust Company matter.

In a discussion of the two memoranda, Mr. Vest stated that it appeared that in a few States other than Pennsylvania, banks and trust companies were authorized to guarantee or insure titles to real estate but that actually very few were exercising such powers at present, this business apparently being confined to about eight or ten institutions, most of which do not accept deposits.

Governor Evans inquired what information had been developed with respect to member banks outside Pennsylvania, and Mr. Vest responded that the California Trust Company, Los Angeles, California, which does
not receive deposits, was reported by the Federal Reserve Bank of San Francisco to be exercising title guarantee authority but that reports of examination failed to indicate that the trust company was now in the title guarantee business. He also said that the Tracy-Collins Trust Company, Salt Lake City, Utah, which has no demand deposits, was reported by the San Francisco Reserve Bank to be exercising the authority in question, subject to a condition of membership regarding the extent of its title guarantee business, but it was understood that the trust company ceased to engage in this business in 1942, although an insurance affiliate probably continued to conduct a title business. A third member bank, the Arkansas Trust Company, of Hot Springs, Arkansas, was reported to have an affiliate in the title insurance business, and two trust companies in New Jersey were reported to be exercising title guarantee powers indirectly through subsidiaries in which they own stock.

While information was not available to show the full extent to which banks outside Pennsylvania may be doing a title insurance business indirectly through subsidiary corporations, Mr. Vest said, there was no indication that any substantial number of banks were doing a title business in such manner.

Governor Evans also inquired whether admission of Land Title Bank and Trust Company to System membership might encourage other banks throughout the United States to enter the title insurance business, and Mr. Vest
replied that according to available information it did not appear likely that action by the Board in this instance would affect the over-all situation very much one way or the other, particularly in view of the fact that national banks are not permitted to exercise title powers.

In response to a question by Governor Mills, Mr. Vest said that a few States have changed their laws in the same manner as Pennsylvania, with the result that only those trust companies in such States which were exercising the power to do a title insurance business when the laws were changed may continue to do so.

Mr. Sloan said that a careful check of the situation in Pennsylvania showed that three member banks are engaged directly in the title insurance business, of which one is subject to a condition of membership that the powers will be exercised "so as not to permit them to assume such proportions, as in the judgment of the Federal Reserve Board, may endanger the safety of its depositors"; that three member banks own stock in a corporation engaged in the title insurance business, two of which banks are subject to conditions of membership that do not represent severe limitations because of the circumstances involved; and that in all other cases where banks were admitted to membership, with or without conditions of membership relative to title operations, the power subsequently lapsed through non-use. He also said that twelve nonmember banks in the State of Pennsylvania, including Land Title Bank and Trust Company, were now
exercising title insurance powers directly or owned stock in title insurance companies, one of these institutions not having been included in the list submitted to the Board by the Federal Reserve Bank of Philadelphia because it is located in the Fourth Federal Reserve District.

Governor Szymczak then asked Mr. Vest and Mr. Sloan for their recommendations with respect to the case of the Land Title Bank and Trust Company.

Mr. Vest said that as a matter of principle it was very desirable to say that state member banks should not engage in nonbanking businesses but that that principle, like any rule, was subject to certain exceptions. In the instant case, he said, there was a possibility of getting a good member bank, the safety of the bank's depositors would not appear to be endangered by the operation of the title insurance business, and no real violence to the general principle would be done because of the limited number of banks doing a title business and the fact that few of these, if any, in States other than Pennsylvania apparently would apply for membership. Mr. Vest also felt that some consideration should be given to the language of paragraph 13, section 9 of the Federal Reserve Act reserving to banks coming into the System their full charter and statutory rights, subject to the provisions of the Act and regulations of the Board made pursuant thereto, although he recognized this could not be interpreted too literally and the Board had the right to curtail those rights in some instances.
Mr. Sloan expressed himself as sympathetic to the position taken by the Federal Reserve Bank of Philadelphia that the trust company should be admitted. He brought out that the State law would prevent any additional banks from entering the title insurance business, that those banks now conducting title operations were well-established institutions, that the risk involved in the insurance of titles seemed not to be great, that some member banks in Pennsylvania were exercising the power, that only a limited number of banks doing this business possibly could come into the System, and that if any of such banks applied, their membership applications would be considered on their own merits. Mr. Sloan said that in all the circumstances he would favor admission of Land Title Bank and Trust Company provided it established a subsidiary to handle the title insurance business.

Governor Robertson said that he continued to feel that the Board should not admit the trust company to membership without requiring that it divest itself of the title insurance business. He called attention to the position taken by the Board in 1935 when the trust company previously inquired about membership; the conditions imposed upon other banks admitted to membership which caused them in some cases to give up or curtail their title operations; the inequity that would be involved in admitting Land Title Bank and Trust Company in view of the conditions imposed on the other banks; and the long-run repercussions which might be involved
in admitting the trust company because of its contemplated consolidation with a sizable national bank, which would result in a large institution in the Philadelphia area having the power to do a type of business which certain competing banks could not conduct. Governor Robertson also pointed out, as he had at earlier meetings of the Board, that the Board would be condoning a connection of banking and nonbanking interests which it had criticized in principle in testimony before Congressional committees regarding proposed bank holding company legislation.

Governor Mills said that he recognized fully the soundness in Principle of the position taken by Governor Robertson but that he felt the Board could not be entirely consistent, and perhaps would not want to be, in considering all membership applications because of the variations in statutes from State to State. It was his view that the trust company should be admitted under a condition that it must set up a subsidiary to handle the title business.

Governor Vardaman favored admission of the trust company, preferably with the creation of a subsidiary to which the title operations would be transferred, because of the recommendation of the Federal Reserve Bank of Philadelphia, because the bank was reported to be sound and to be conducting its business in an entirely satisfactory way, and in view of the fact that the Pennsylvania legislature in passing the State banking code in 1933 made provision for institutions then...
conducted a title business to continue such business and the subject
trust company was operating under that provision of law.

Governors Szymczak and Evans stated that their views were along
the lines of those expressed by Governor Mills.

Thereupon, approval was given
to a letter to Mr. Percy C. Madeira,
President, Land Title Bank and Trust
Company, Philadelphia, Pennsylvania,
in the following form, Governor Rob-
ertson voting "no" for the reasons
which he had stated:

"Reference is made to your letter of November 19, 1952,
asking whether the Board of Governors would consider the
real estate title insurance business of the Land Title Bank
and Trust Company a bar to its admission to membership.

"The Board would not consider such a business a bar
to membership provided it is divorced from the banking
business of the institution, as you suggest, through organ-
ization of a separate corporation to handle the title in-
surance business, all or substantially all of the stock
of which would be owned by the Land Title Bank and Trust
Company.

"As you know, application for membership should be
submitted through the Federal Reserve Bank of Philadelphia
and the Board will then consider all other pertinent fac-
tors. A copy of this letter is being sent to the Reserve
Bank. Its officers will be glad to advise and assist you
in connection with your application."

At this point Mr. Sloan withdrew from the meeting.

Governor Vardaman said that on December 23 or 24 he was informed
that a correspondent for the New York Daily News tried to reach him at
his home from New York, that he did not return the call but thereafter
talked by telephone with Miss Ruth Montgomery, also of the Daily News,
that Miss Montgomery requested information concerning the V-loan to Reynolds Reduction Company that had been discussed at earlier meetings of the Board, that he referred Miss Montgomery to General Services Administration as the guaranteeing agency, and that he explained to Miss Montgomery the limited role of the Federal Reserve System in the V-loan program. Yesterday, Governor Vardaman said, Miss Montgomery told him that she had obtained the information that she wanted from General Services Administration.

Mr. Vest referred to his report at the meeting of the Board on December 24 concerning his telephone conversation with Mr. Elliott, General Counsel of General Services Administration, in which Mr. Elliott stated that his agency might request that its staff be permitted to discuss the Reynolds Reduction Company loan with the Board’s staff.

Governor Vardaman expressed the view that if such a request were made, it might be well to counter with a suggestion for a meeting of all of the guaranteeing agencies to determine whether those agencies desired to have the Board or the Reserve Banks police V-loan disbursements. After remarking that such an arrangement would necessitate the building up of a large staff, Governor Vardaman said that he discussed the matter with officials of the Defense Department and possibly officials of other guaranteeing agencies at the inception of the current V-loan program and that they were all of the opinion that the Federal Reserve should not undertake that responsibility.
Governor Vardaman said that if the Board consented to discuss the loan in question with General Services Administration, the Board might be dressed for an opinion concerning the reasonableness of the fee reported by the borrower as payable to Dillon, Read and Company out of the proceeds of the V-loan, and that he felt it should not undertake to express such an opinion unless it developed after consultation with all of the guaranteeing agencies that they desired a critical examination by the System of all V-loan disbursements.

Mr. Vest said that during their telephone conversation last week, Mr. Elliot told him that at a meeting between representatives of Reynolds Reduction Company and General Services Administration when the loan was being negotiated, reference was made to the payment of a fee to Dillon, Read and Company but it was stated that the fee would be paid by Reynolds Metals Company, parent company of the borrower. Mr. Vest said he inquired of Mr. Elliot whether that statement was put in writing, and Mr. Elliot said it was not.

There followed a general discussion of the responsibilities and functions of the Board and the Federal Reserve Banks in connection with the V-loan program and of the steps, if any, which the Board should take in connection with the subject loan, but no conclusion was reached.

At this point Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; and Youngdahl, Assistant Director, Division
Governor Szymczak read a letter dated December 24, 1952, received by Chairman Martin from Mr. Leon H. Keyserling, Chairman of the Council of Economic Advisers, in which the latter requested comments on an enclosed preliminary draft of a discussion of monetary policy proposed for inclusion in the Council's Annual Economic Review.

Governor Szymczak also read the reply sent to Mr. Keyserling by Chairman Martin under date of December 26, the same day Mr. Keyserling's letter was received, as follows:

"Thank you for your letter of December 24 and the opportunity to examine the discussion of monetary policy proposed for inclusion in the Council's Annual Economic Review. Frankly, I don't know what to suggest by way of revision of it other than a complete rewriting. It would not be worth our while to offer interlinear changes and marginal comments on wording and sentences; such changes would not suffice to deal with our objections.

"Implicit in the draft material are several basic assumptions which do not stand critical scrutiny. It is assumed, for example, that money plays a completely passive and inert function in economic processes, and that how much money there is is entirely irrelevant. Another assumption that is made is that how liquid the economy is has nothing at all to do with decisions as to spending and lending, in other words, nothing to do with whether there is an inflationary condition or not. Another assumption is that lenders determine the level of interest rates and that interest rates perform no price function in the economy.

"I sincerely hope that this material will not survive the Council's deliberations on its final copy."

At this point Messrs. Thurston, Assistant to the Board, and Young, Director, Division of Research and Statistics, entered the room.
During a discussion of the two letters referred to above and the draft enclosed with Mr. Keyserling’s letter, which had been prepared by Mr. John D. Clark, Vice Chairman of the Council, reference was made to Mr. Clark’s address before the meeting of the American Finance Association in Chicago, Illinois, on December 28, the text of which contained views similar to those found in the draft submitted for inclusion in the Council’s Annual Economic Review.

Mr. Young, who attended the meeting in Chicago at which Mr. Clark spoke, discussed briefly the debate which took place concerning Mr. Clark’s comments and said that the atmosphere was generally favorable to Federal Reserve monetary policy.

It was understood that copies would be made of Mr. Keyserling’s letter and its enclosure, Chairman Martin’s reply, and Mr. Clark’s speech in Chicago, and that a copy of each document would be sent to each member of the Board present at this meeting.

There was a brief discussion of developments in the Government securities market, following which all of the members of the staff except Messrs. Sherman and Kenyon withdrew and the following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 29, 1952, were approved unanimously.
Mr. Sherman reported that the Comptroller of the Currency would issue a call on January 2, 1953, on all national banks for reports of condition as of the close of business on December 31, 1952, and that, in accordance with the usual practice and the Board's letter of December 12, 1952, a call would be made on January 2 on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of December 31, 1952.

The call to be made on behalf of the Board on January 2, 1953, was approved unanimously.

Memorandum dated December 24, 1952, from Mr. Sloan, Director, Division of Examinations, recommending that pursuant to the program approved by the Board on September 16, 1952, the following Federal Reserve Bank employees be appointed as Assistant Federal Reserve Examiners while assigned to duty with the Board's field examining staff for a period of approximately one year each:

<table>
<thead>
<tr>
<th>Name of employee</th>
<th>Federal Reserve Bank</th>
<th>Title of position with Bank</th>
</tr>
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<tbody>
<tr>
<td>Richard C. Bullen</td>
<td>Boston</td>
<td>Assistant Auditor A</td>
</tr>
<tr>
<td>Thomas A. Brown</td>
<td>Philadelphia</td>
<td>Head, Audit Department</td>
</tr>
<tr>
<td>C. Hadley Fraser</td>
<td>Dallas</td>
<td>Branch Auditor, El Paso</td>
</tr>
</tbody>
</table>

The memorandum stated that Mr. Brown would report for duty on January 2, 1953, that Mr. Fraser would report on January 26, 1953, and that it was anticipated that Mr. Bullen also would report on January 26, 1953. The memorandum also stated that the Federal Reserve Banks would pay the salaries of these employees while assigned to duty with the field
staff and would ask the Board for reimbursement, and that the Board would pay the travel expenses of the men and their per diem in lieu of subsistence on the same basis as is applicable to the other members of the field examining staff.

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of December 19, 1952, the Board approves the appointment of Walter J. Brobyn as an assistant examiner for the Federal Reserve Bank of Philadelphia, effective January 1, 1953."

Approved unanimously.

Letter to The First National Bank in Bedford, Bedford, Pennsylvania, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as Trustee and Registrar of stocks and bonds for Municipal Corporations and Municipal Authorities, and other Authorities organized under the laws of the Commonwealth of Pennsylvania, the exercise of such authority to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

This letter will be your authority to exercise the fiduciary power granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for transmittal through the Federal Reserve Bank of Philadelphia.
Letter to the Board of Directors of the Bank of Sturgeon Bay, Sturgeon Bay, Wisconsin, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. The letter also contained the following paragraph:

"The Board of Governors also approves the retention and operation of the out-of-town branch located at Sister Bay, Wisconsin. As you know, the Board's approval of the retention and operation of the West Side Branch, which was established prior to passage of the McFadden Act in 1927, is not required."

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago.

Letter to the Board of Directors, City Bank, Detroit, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at 20950 Greenfield Road, Oak Park, Michigan, by the City Bank, Detroit, Michigan, provided such branch is established within six months from the date of this letter.

"It has been noted that the City Bank recently completed the sale of $264,000 par value of new common stock at a premium of $448,800, which provided somewhat more new funds than was agreed at the time the Board of Governors approved the establishment of a branch at Hazel Park, Michigan, following consolidation with the Peoples State Bank of Hazel Park. However, because of the rapid and continuous expansion in the volume of business, the introduction of these new funds has resulted in very little improvement in the over-all capital position of the bank. This, as well as the fact that the bank was recently granted additional fiduciary powers and plans to expand
"in that field, has created a further need for additional capital funds. This need will become more urgent if the anticipated increase in deposits resulting from establishment of the Oak Park branch materializes.

"In view of all the circumstances, the Board believes that the management should give consideration to further augmenting the capital structure through the sale of additional stock in the very near future, and in the meantime should continue its policy of retaining earnings in the capital account."

Approved unanimously, for transmittal through the Federal Reserve Bank of Chicago.

Letter to Mr. Young, President, Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Purrington's letter of December 12 regarding the penalty of $13.87 incurred by the Security Savings Bank, Farnhamville, Iowa, on a deficiency in its reserve for the period ended November 30, 1952.

"It is noted that the deficiency resulted from a misunderstanding by the president of the member bank of the requirements for the maintenance of reserves; that, because the County PMA office was not familiar with the necessary procedures, the bank was unable to sell some of its commodity loans and thus build up its reserve balances; that the bank has not had a reserve deficiency in the last four years, and has carried excess reserves ranging from 20 to 50 per cent each reserve period this year.

"In the above circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case. The Board gives you this authorization with some reluctance, however, lest the waiver be regarded as due to the bank's reference to withdrawal from the System."

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:
"This refers to your letters of November 25 and December 22 concerning the request of Security State Bank, Littlefield, Texas, for permission to act as trustee under an agreement of trust by Littlefield Memorial Park, a cemetery corporation. It is noted that it is not the desire of the member bank to exercise general trust powers and that the authority requested is solely to permit the bank to accept and administer this specific fiduciary appointment.

"In view of the Reserve Bank’s recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered one, to act as trustee in the matter above described with the understanding that it will not acquire any other fiduciary business without first obtaining the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

Letter to Mr. Clark, First Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of December 12, 1952, in which you advised that it appears expenses for your Head Office and branches will exceed the 1952 budget estimates in the amounts indicated.

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board’s records."

Approved unanimously.

[Signature]
Assistant Secretary